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## FACSIMILE

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## Saudi stocks are best Gulf Arab investment: Merrill

Reuters

June 7, 2009

DUBAI- Saudi equities are the best investment among Gulf Arab stocks because of the country's oil reserves and large economy, and the Dubai market is the cheapest, brokerage Merrill Lynch said in a report on Sunday.

"As access improves we would expect further gains in the Saudi market, so long as oil prices remain reasonably strong," Merrill said in the report.

Saudi Arabia is the world's biggest oil exporter, the biggest Arab economy and has the largest equities market in the Gulf Arab region. Gulf equities tumbled in 2008 as the financial crisis hit home and oil prices lost nearly two-thirds of their value from a peak of \$147 a barrel in July, slashing the main source of income in the world's biggest oil exporting region.

The markets have recouped some of their losses after Gulf Arab governments ramped up spending to lift their economies and oil prices started to rally at over \$60 a barrel.

Gulf Arab stock markets, which have gained 1.2 percent year-to-date, are cheaper than other emerging markets, which are up 33 percent year-to-date, the report said.

"We see the region as a compelling buy for investors looking for laggards. Gulf equities have lagged the oil price, the Russia equity market and the emerging market small cap stocks," the report said.

The Dubai equities market is the cheapest among all emerging markets, due to the fall in oil and real estate prices, the report said.

"It is now cheap, unloved and a combo of oil above \$60 a barrel and improving credit spreads are powerful drivers, in our view," the report said.

The once-booming property market in Dubai, a member of the United Arab Emirates, has been hit particularly hard by the global economic downturn. Prices tumbled 41 percent in the first quarter, property consultant Colliers said in a recent report.

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